The following are the provisions of Mortgagee Letter 2014-23 that will be incorporated into the 4000.1 FHA Single Family Housing Policy Handbook, issued September 30, 2014, as shown at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1.

THE FOLLOWING HIGHLIGHTED LANGUAGE WILL BE INCORPORATED INTO 4000.1 ON JUNE 15, 2015.

e. Refinance of Borrowers in Negative Equity Positions Program (Short Refi)

i. Definition

For case numbers assigned on or before December 31, 2016, the Short Refi program allows the mortgagee to refinance a non FHA-insured mortgage in which the Borrower is in a negative equity position.

ii. General Eligibility Criteria

The existing first lien holder must write off at least 10 percent of the unpaid principal balance.

The Borrower must be in a negative equity position and may not have an existing FHA-insured mortgage. The Borrower must be current for the month due or have successfully completed a three month trial payment plan on the existing mortgage to be refinanced.

The mortgagee is not permitted to use Premium Pricing to pay off existing debt obligations to qualify the Borrower for the new mortgage.

The mortgagee is not permitted to make Mortgage Payments on behalf of the Borrower or otherwise bring the existing mortgage current to make it eligible for FHA insurance.

The refinanced FHA-insured first mortgage must have a Loan-to-Value (LTV) ratio of no more than 97.75 percent and any new or re-subordinated mortgages must not result in a Combined Loan-to-Value (CLTV) ratio greater than 115 percent.

There is no maximum Combined Loan-to-Value (CLTV) ratio for second liens held by government entities or instrumentalities of government.

(A) Borrower Certification

(1) Standard

The Borrower must certify on form HUD-92918, *FHA Refinance of Borrowers in Negative Equity Positions Borrower Certification*, that they have not been convicted within the last 10 years, in connection with a real estate or mortgage transaction, of any of the following: (a) felony larceny, theft, fraud, or forgery; (b) money laundering; or (c) tax evasion from receiving assistance authorized or funded by the Emergency Economic Stabilization Act of 2008 (EESA).